

PRESS RELEASE

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Mounting pressures forces U.S. Pharma to change its view of consultants

- ***U.S. pharmaceutical consulting market grows 10.4 per cent to \$1.7bn***
- ***Reigning in prices results in strong growth for consultants***
- ***Consultants help Pharma adapt to 'beyond the pill' and post M&A***

Pharmaceutical companies - historically one of the most reluctant buyers of consultancy services - became one of the fastest growing users of consultants in the U.S. in 2015 - up 10.4 per cent to \$1.7bn. While patent expirations continued at a modest rate, a focus on costs and profitability was high on the agenda - creating a demand for lean manufacturing and laboratory management from consultants.

The growth in the use of consultants in the pharmaceutical industry considerably outperformed the wider U.S. consulting market, which expanded at only 7.7 per cent to almost \$55bn.

These findings are published in a new report from leading global consulting market analysts, Source Global Research (Source). The report says that the drug pricing debate didn't dampen the use of consultants in the U.S. as a number of other pressures led the sector to turn to consultants for a variety of reasons. Among these is the need to adapt to a new "beyond the pill" reimbursement model, in which clients earn money through what drugs achieve, rather than simply by selling them. Here there is a strong reliance on digital and business model transformation, which is driving a lot of work for consultants.

B.J. Richards, Senior Editor at Source Global Research said:

"The number of challenges in this market is set to grow, with biosimilars now coming on stream in the U.S. after the first was approved in 2015. The U.S. pharmaceutical market is a decade behind Europe and faces competition from Asian biotech companies looking to expand their reach. It may take a few years to change the market, but cost control is likely to remain a high priority for U.S. companies operating in this market, so consulting services such as lean manufacturing will remain in demand."

Regulations and mergers also drive consulting work

Meeting the demands of the FDA also prompted pharmaceutical companies to look for consulting support, particularly around process monitoring/ measurement and data integrity. High volumes of Mergers & Acquisitions (M&A) were another good source of work for consulting firms, with large organizations looking to cut costs, achieve greater scale and breadth, and diversify into growing markets.

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Tunnel Consulting has repositioned its existing products and services so that companies understand how they can help with both pre and post M&A work. Dr. Conrad J. Heilman, President & CEO of Tunnell Consulting said: *"We don't want to compete with the big consulting firms that are well entrenched in this space, but we do have specialist knowledge in the Pharma and life sciences field that clients need. For example, when a client consolidates where they make their products, they need to have the processes in place for a smooth technology transfer, which we can support. It's about making people aware of where our expertise fits in in the process."*

B.J. Richards, Senior Editor at Source concluded:

"Source expects the market to grow at a similar level in 2016, though it is uncertain whether the price debate sparked off by Hilary Clinton's tweet will have any major impact on behaviours or spending power."

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About Source Global Research

Source Global Research (Source) is a leading provider of information about the market for management consulting. Set up in 2007 and with offices in London and Dubai, Source serves both consulting firms and their clients with expert analysis, research and reporting. We draw not only on our extensive in-house experience, but also on the breadth of our relationships with both suppliers and buyers. All of our work is underpinned by our core values of intelligence, integrity, efficiency and transparency.

Source was founded by Fiona Czerniawska and Joy Burnford. Fiona is one of the world's leading experts on the consulting industry. She has written [numerous books](#) on the industry including: [The Intelligent Client](#) and *The Economist* books, [Business Consulting: A Guide to How it Works and How to Make it Work](#) and [Buying Professional Services](#). Joy Burnford was Marketing and Operations Director at the UK Management Consultancies Association between 2003 and 2010, and prior to that worked for PA Consulting Group and has extensive experience of marketing consulting services. For further information, please visit: www.sourceglobalresearch.com

Sources

This report is based on two major sources of primary data:

Clients of consulting firms:

Source interview senior end users of consulting in the U.S. to help it to build up a rich picture of how trends in the consulting market are playing out within clients' organizations.

Source also carries out client surveys. For the report, Source surveyed 622 senior clients of consulting firms across the U.S.. The majority work for private sector organizations, many of which are multinationals.

Source's survey asks clients similar questions about how they buy consulting services. In particular, this report draws on how they expect their expenditure on consulting services to change over 2016 and into 2017, and what initiatives they'll be working on and how likely that is to drive consulting work. Their responses are just one of the factors that we take into account when forecasting future growth rates.

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Consulting firms:

The quantitative data contained in this report focuses on consulting done by mid- and large-sized consulting firms (those with more than 50 consultants) and typically includes work they have carried out for mid-and large-sized clients, what Source call “big consulting.” It therefore reflects the “addressable” market for the majority of mid- and large-sized consulting firms;

Using this definition, Source has built a bottom-up model of the global consulting market from the information it gets from consulting firms and its own research, and Source then uses it to size the industry and its growth rates. This is based on Source’s global model which contains detailed data about almost 1,600 firms, plus higher level estimates about a further 400,000 firms, all with more than 50 consultants apiece, in addition to primary research carried out by Source analysts.

Please note that 2014 baseline figures have changed a little since last year, as Source have refined and implemented improvements to its research methods.

For reference Source is using the following exchange rates in this report this year:

- U.S. dollar to British pound \$1 = £0.66
- U.S. dollar to euro \$1 = €0.88

In addition to Source’s quantitative research, it interviewed 32 very senior consultants (typically the most senior person in their country) from most of the leading consulting firms in the country and many smaller local specialists to understand more about how the consulting market is performing, and what the major trends, changes, and challenges are. Throughout the year, Source analysts remain plugged into the global consulting market through its bespoke research and consulting projects, adding further depth to Source’s understanding of the consulting industry.